

# MEMORANDUM

CITY OF GRAND RAPIDS

**DATE:** November 14, 2017

**TO:** Committee of the Whole  
Greg Sundstrom, City Manager

**FROM:** Jessica L. Wood  
Director of Municipal Legal Affairs

**SUBJECT:** Recommendation #10 of Housing Advisory Committee – Draft Residential Rental Application Ordinance for Discussion

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As a result of the Housing Advisory Committee recommendations, please find attached a DRAFT Residential Rental Application Ordinance (the Ordinance).

A few salient features of the DRAFT ordinance are as follows:

1. The landlord must disclose the criteria being used to judge the rental application.
2. The application fees must not exceed the cost of the screening costs.
3. Complaints about excessive fees (beyond the out of pocket costs to purchase criminal background and credit history reports) would go to either the Community Development office or 311 (to be determined).
4. If an applicant pays an application fee and is denied, the landlord must notify the tenant in writing of the reasons for rejection and provide the name of any screening agency used, all within 14 days.
5. If an applicant is rejected for a reason not listed in the written criteria, the entire application fee must be returned.
6. The applicant chooses whether the application fee shall be returned by mail, or destroyed if not cashed, or held for pickup.
7. It allows a landlord to hold an application for up to 60 days, uncashed and undeposited, until prior applications have been screened and rejected or screened and declined to take the unit. If a prior applicant is screened and accepts the unit during this time, the landlord must return the fee to the applicant.
8. A violation of the ordinance would be a municipal civil infraction.

Some additions to this ordinance could also include (1) adding a cap or “not to exceed amount” to the costs allowable, and (2) adding a penalty option which would include revoking a rental compliance certificate (through our code compliance) for a one year period when excessive fees are charged, in conjunction with code compliance.

AN ORDINANCE TO ADD SECTIONS \_\_\_\_\_ THROUGH \_\_\_\_\_ OF CHAPTER  
\_\_\_\_\_ OF \_\_\_\_\_ OF THE CODE OF THE CITY OF GRAND RAPIDS ENTITLED  
\_\_\_\_\_

ORDINANCE NO. \_\_\_\_\_

THE PEOPLE OF THE CITY OF GRAND RAPIDS DO ORDAIN:

Sec. \_\_\_\_\_ - Rental application fee requirements.

The Grand Rapids City Commission finds that rental application fees should be regulated to protect applicants from the unnecessary and predatory collection of fees. The purpose and intent of this Chapter is to establish rules and regulations for the collection and return of rental application fees in the city.

*Rental application fee:* A fee paid by the applicant (prospective tenant) to a rental property owner, in order that the owner can screen the background of the applicant before signing the lease and before any contractual relationship is created.

- (1) Before taking a rental application fee, a rental property owner must disclose to the applicant, in writing, the criteria on which the application will be judged.
- (2) Application fees for rental properties shall not exceed the cost of the screening process, which may include, but is not limited to, criminal background checks in Michigan, and other states if necessary, credit history and rental history of the applicant (prospective tenant). Written information on the actual cost of the screening process shall be made available to the applicant upon request. This written information shall include the following statement: all complaints that the rental application fee exceeded the actual cost of screening should be directed to the City of Grand Rapids Clerk's office.
- (3) If the applicant was charged an application fee and the rental property owner rejects the applicant, then the rental property owner must, within fourteen (14) days, notify the applicant in writing of the reasons for rejection, including any criteria that the applicant failed to meet, and the name, address, and phone number of any tenant screening agency or other credit reporting agency used in considering the application.

- (4) The rental property owner must refund the entire application fee if an applicant is rejected for any reason not listed in the written criteria on which the application was judged.
- (5) Application forms must allow the applicant to choose which of the following methods will be used for return of the application fee under section (4):
- a. Mailing it to the applicant's chosen address as stated on the application form;
  - b. Destroying it (if uncashed/undeposited); or
  - c. Holding the fee for retrieval by the applicant upon one business day notice.
- (6) Nothing in this section shall prohibit a rental property owner from collecting and holding an application fee for up to sixty (60) calendar days so long as the rental property owner provides a written receipt to the applicant for the fee and the fee is not cashed, deposited, or negotiated in any way until all prior rental applicants either have been screened and rejected for the unit, or have been offered the unit and have declined to take it. If a prior rental applicant is offered the unit and accepts it, the rental property owner shall return all application fees being held (not cashed, deposited, or negotiated) in the manner selected by the unchosen applicant, pursuant to section (5).
- (7) A violation of this Section shall be a municipal civil infraction punishable by a fine as established in Chapter 170 of the City Code.

**\*\*Note to Compiler: Needs a companion ordinance to put this in the table of Municipal Civil Infractions in Chapter 170\*\***